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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 DODE-00 PA-01 PRS-01 PM-03 AGR-05

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FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC 8938
INFO USCINCSO
AMEMBASSY BUENOS AIRES

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E.O 11652: N/A
TAGS: PINT, EFIN, EGEN, UY
SUBJ: ECONOMIC ISSUES IN GOU DEBATE

REF: A) MVD 1674
B) MVD 1685
C) MVD A-56, 5/16/75 (NOTAL)

1. SUMMARY: BEHIND THE CURRENT SHARP MILITARY/POLITICAL DISPUTE OVER PRESIDENT BORDABERRY'S FIRING OF EDUARDO PEILE, ARE IMPORTANT DIFFERENCES ABOUT GOU ECONOMIC POLICY. WHILE NOW OBSUCRED BY THE BROADER QUESTION OF POLITICAL CONTROL OF THE GOVERNMENT, THESE ECONOMIC POLICY ISSUES, IF NOT RESOLVED, ARE LIKELY TO REEMERGE IN FUTURE CONFRONTATIONS. SPECIFICALLY PEILE, ACTING PRESIDENT OF INAC (THE NATIONAL MEAT INSTITUTE), EVIDENTLY STANDS FOR A POLICY OF STATE INTERVENTION AND CONTROL OVER BASIC ECONOMIC ACTIVITIES, WHIL THE PRESIDENT AND HIS MINISTERS FAVOR A MARKET ECONOMY. END SUMMARY.

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2. ECONOMIC AND FINANCE MINSTER VEGH VILLEGAS RECENTLY SAID HE HOPED TO DISMANTLE, IN TIME, INAC'S ELABORATE SYSTEM OF

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STATE REGULATIONS COVERING EVERY ASPECT OF CATTLE ANDMEAT MARKETING (REF C). A DECREE ISSUED MAY 9 BY THE PRESIDENT AND THE THEN ACTING AGMIN ALLOWS FOR THE FIRST TIME PRIVATE SALES AMONG RANCHERS OF FATTNED STEERS AT UNREGULATED PRICES. THIS CAN BE SEEN AS A FIRST TEP TOWARD A MARKET ORIENTAION.

3. WHILE THE PRESIDENT WAS ON HIS STATE VISIT TO PARAGUAY, INAC ISSUED NEW REGULATIONS RESTRICTING PURCHASES BY MEAT PACKERS TO CATTLE WHICH AHD BEEN OWNED BY THE SELLERS FOR AT LEAST 120 DAYS AND WHICH HAD PREVIOUSLY BEEN REGISTERED FOR SALE. ADDITIONAL REPORTING REQUIRMENTS WERE ALSO IMPOSED ON THE PACKERS. WE UNDERSTAND THESE RESTRICTIONS WERE ADOPTED AS A REACTION TO THE PRESIDENT'S DECREE.

4. WE ARE TOLD THAT THE PRESIDENT WAS FURIOUS AT PEILE FOR THUS UNDERCUTTING THE EFFECT OF HIS MARKETING PLAN, AND IN THE UNUSUALLY STRONG DECREE DISMISSING PEILE, HE REFERRED TO HAVING DISCUSSED AND REJECTED SIMILAR PROPOSALS. THE STATED GROUNDS FOR DIS-MISSAL WERE THAT PEILE HAD EXCEEDED HIS AUTHORITYAND CONTRAVENED THE ORDERS OF THE PRESIDENT.

5. IT SEEMS CLEAR THAT PEILE, AND THE ORIENTATION HE ENDORSES, ENJOYS THE SUPPORT OF SOME MILITARY LEADERS. SPECIFICALLY, HE ALONG WITH OTHER ADHERENTS OF STATIST ECONOMIC POLICIES SUCH AS BOR VICE PRESIDENT RAIMUNDEZ AND EX-ECONOMIC MINISTER MOISES COHEN WERE PARTICIPANTSIN GEN. ALVAREZ' RECENT ECONOMIC CONFERENCE (REF A). IN THIS CONFERENCE ALVAREZ ARTICULATED THE NEED FOR "COLLECTIVE ECONOMIC SECURITY" AND CLEARLY ENDORSED A STATE DIRECTED AND CONTROLLED ECONOMIC SYSTEM.

5. COMMENT: THE CURRENT CRISIS SUGGESTS THAT THE LONG SMOLDERING DISPUTE BETWEEN THOSE WHO SEE URUGUAY'S ECONOMIC SALVATION IN A MARKET ECONOMY AND THOSE WHO WOULD REINFORCE THE TRADITIONAL SYSTEM OF STATE INTERVENTION IS NOT YET FINALLY RESOLVED.
6. GDS.
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